

A Positive Look at Accounting Education

By Nicholas J. Mastracchio Jr.

IN BRIEF

As the demands placed on professionals in all fields continue to change rapidly, particular attention has been paid to accounting education programs. There has been much debate as to their effectiveness, and this month, *The CPA Journal* examines the issue. In this article, a counterpoint to the preceding, the author argues that the state of accounting education is strong, citing the role of teaching in accounting departments of business schools in U.S. universities and examining the impact of accounting faculty's role in teaching and administration.

It is a common refrain that teachers are the most under-appreciated part of the American workforce. This holds true in accounting as well, especially at the university level. Like the rest of academia, university accounting programs are criticized as being bloated, inefficient, obsessed with research, and inadequate to the task of preparing students for the workforce. These criticisms, while not entirely baseless, nonetheless ignore the value to be found in accounting education, whether at the undergraduate, graduate, or doctoral levels. This article is intended to dispel some of the common myths about accounting education programs, particularly



regarding the quality of faculty and the results they provide to both graduates and the firms that hire them.

The Role of Teaching

Most academic institutions are driven by excellence in teaching, and many states determine their support of institutions based upon graduation rates and successful placement of graduates. For example, in 2016 the Florida state legislature codified the Florida College System Performance-Based Incentive Program. The law awards a performance-based incentive to Florida College System institutions using measures adopted by the state board of education. The law requires the model include four measures: retention rates, completion rates, job placement/continuing education rates, and entry-level wages.

New York has had an effective higher education system of public, independent, and proprietary colleges and universities for years. To coordinate that system, every eight years the Board



of Regents, in collaboration with the higher education community, develops and adopts the Statewide Plan for Higher Education, setting system goals and objectives. The plan focuses on major issues affecting the role of higher education in New York and its service to the state's residents, workforce, and community. Regents priorities for higher education serve as the foundation for the plan, which includes the long-range master plans of the State University of New York (SUNY), the City University of New York (CUNY), and New York's independent and proprietary institutions.

The mission and vision statements of many schools of accounting also show

their concern for students, employers, and the public interest. For example, in Alabama, the Sorrell College of Business at Troy University in Troy, Alabama, gives its mission as "to advance the accounting profession by providing quality accounting education to both undergraduate and graduate students" and states in part that "our faculty will prepare students for career opportunities with increasing professional and managerial responsibility in regional public accounting firms, as well as government and industry."

In addition, the Association to Advance Collegiate Schools of Business's (AACSB) Assurance of

Learning (AOL) process for business programs encourages successful teaching results. Like the balanced scorecard in businesses, the AOL process is generated by the school and its objectives, driven by measurable outcomes, and emphasizes learning. Even in small institutions, there may be a staff person assigned to guide the college of business year by year in the measurement of its process.

Accounting Faculty Are in Short Supply

The demand for PhDs in accounting for faculty positions far outstrips the supply. While salaries for accounting PhDs are at the high end of faculty compensation, they are fair and market driven.

Furthermore, salaries do not increase to anywhere near the level of those professionals in public accounting over time. According to the Economic Research Institute's database, if a graduate enters a CPA firm rather than a PhD program, the opportunity cost using total median earnings over five years is approximately \$308,000, without including the cost of getting the degree or the time value of money. In addition, academia is notoriously known for very small annual increases in salaries. According to big4bound.com, Big 4 partners start at \$300,000–\$500,000 per year and after 10 years earn \$600,000–\$3,000,000 per year ("Big 4 Partner Compensation – How High Is It Really?" <http://bit.ly/2wPzTAJ>). Other national firms top out at \$800,000 and small firms at \$450,000. Many public accounting staff do not stay around to make partner and go into industry. Salaries for industry accountants are also very good; total median compensation for CFOs of large companies is approximately \$668,000.

Staying Current

Accounting faculty spend considerable time keeping up with standard and law changes in their area of teaching. Unlike in some classical studies or mathematical fields, an accounting faculty member who did not stay current with professional accounting developments would be doomed in a short period. Not only would students quickly recognize the lack of current subject matter, employers would also quickly note which schools were turning out students with current knowledge and which were not. The National Association of State Boards of Accountancy (NASBA) reports on CPA exam success rates would also sink dramatically for the institution. Furthermore, 65% of professors are licensed CPAs, 11% are CMAs, and 3% are CIAs (Ravindra R. Kamath, Heidi H. Meier, and Edward G. Thomas, "Characteristics

of Accounting Faculty in the U.S.," *American Journal of Business Education*, May/June 2009, <http://bit.ly/2hog7JF>). All these professional licenses require continuing professional education, which would mandate keeping current. Finally, regional and national American Accounting Association conferences are opportunities to remain current, are designed for accounting professors, and are frequently attended by accounting faculty.

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The Importance of Research and Tenure

To succeed, accounting professors must demonstrate an ability to publish their research. Those who do not publish do not earn tenure and thus are not able to stay in the program. The quantity of articles published changes with the degree of research necessary to produce the results; however, in all cases, faculty publish frequently. If publishing stopped after tenure—which it does not—those faculty members would receive an increased course load to make up the difference.

Although it is a rare accounting practitioner who reads the *Accounting*

Review or Journal of Accounting Research (JAR), this is not surprising, as these journals focus on new knowledge not specific to practice issues. For example, in 2016 *JAR* accepted less than 10% of the articles submitted. The top article in *JAR* for 2016, "Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences" has an abstract that explains, "We analyze the effects on market liquidity, cost of capital, and Tobin's q [ratio] in 26 countries using a large sample of firms that are mandated to adopt IFRS." No question the average practitioner does not know and is not interested in what "Tobin's q" is, but that is not to say that the article has no importance. On the other hand, there are many journals, such as *The CPA Journal*, that publish applied research that is useful to the practitioner. Some schools focus primarily on the top theoretical journals, but most recognize that both theoretical and applied research are important.

In any case, it is wrong to think of research as the enemy of good teaching. Research and teaching go hand in hand. The best educators keep up with the latest research and are able to inspire students with stories of their own inquiries and interests. Schools also encourage research that can be used in the classroom.

As for tenure, it is not a lifetime guarantee of a job. True, it is difficult to dismiss a tenured teacher, requiring evidence that the professor is incompetent or behaves unprofessionally or the closing of the department. A 2015 article by the Higher Education Department of the National Education Association states that nationally, about 2% of tenured faculty are dismissed in a typical year ("The Truth about Tenure in Higher Education," <http://bit.ly/2wBdAze>). It also cites surveys showing that tenured faculty generally publish more, serve on more committees, and teach more than

their untenured colleagues. The article also states that a government survey found that even faculty at research universities spend considerably more time teaching than conducting research.

It is true that there is no constant teaching effectiveness curriculum inside PhD programs, and perhaps there should be. Some schools have teaching method seminars for their new faculty and graduate students, others send their faculty to seminars in effective teaching offered by other institutions, and still others offer mentoring of teaching PhD candidates and new tenure track faculty by experienced faculty. Other faculty, unfortunately, receive counseling only after negative feedback in the classroom. There is certainly room for improvement here, but to claim that accounting faculty are unable to teach does them and their students a disservice.

The Role of Accounting Faculty in University Governance

The faculty senate is the voice of the faculty. Other than perhaps tenure and promotion rules, the senate is the primary vehicle that provides the school or university administration with the concerns and suggestions of the faculty.

The position of dean is a demanding one, responsible for a group that is in some sense self-centered, engrossed in its own activities (i.e., teaching and research in their areas of interest). In truth, turnover for deans is not out of line with other management positions. There are no recent statistics regarding business school deans' turnover, but a 2008 article on Clear Admit quoted an AACSB source stating that on average, deans have been in their position for about five years ("Continued Shake Up at the Top: High B-School Dean Turnover Attributed to Increased Fundraising Pressure," Apr. 22, 2008, <http://bit.ly/2fxWajc>). The article also quoted the dean of the Simon Graduate School of

Business Administration at the University of Rochester, who said that he believes in the 5-to-10-year rule for a dean; that would translate into a turnover rate of 1–20% per year. An article from the Wharton School that same year stated that 20% of middle management reported they were looking for another job ("Caught in the Middle: Why Developing and Retaining Middle Managers Can Be So Challenging," Knowledge@Wharton, May 28, 2008, <http://whr.tn/2vq91Ju>).

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The Proof of the Pudding Is in the Eating

Top accounting graduates are in high demand because of their knowledge and skill at finding the information they need in a given situation. They earn their rankings by applying themselves, working hard, and learning how to do their jobs. They arrive at CPA firms with a strong understanding of accounting principles. Of course, they undergo training in their firms' specific quality control documents and procedures; however, there is still a presumption that they understand the underlying principles of the profession. Ultimately, the demand for these graduates exceeds the supply.

It is worth noting that candidates from schools with an AACSB accounting accreditation do better on the CPA exam than the overall candidate population. According to NASBA, 2016 candidates from AACSB-accredited accounting programs had a pass rate of 55.1%, compared to the overall pass rate of 48.7%. In addition, first-time candidates from schools with an AACSB accounting accreditation had a pass rate of 61.9%, compared to an overall first-time pass rate of 54.4%. Furthermore, exam data from the first quarter 2013 through the first quarter 2017 shows that candidates from "high-research institutions" have a pass rate for exam sections of 59%, while candidates from very high-research institutions have a pass rate of 66%. All other candidates have a pass rate of 48.7%.

University supporters demonstrate their approval through their monetary donations. A graduate of the University of South Florida recently gave \$10 million to the school of accounting, and this is not uncommon. The Big Four are also significant donors to accounting programs; for example, Deloitte has provided more than \$17 million in endowed professorships. These donors are astute enough not to waste their money on failed or mediocre programs. Overall, their perception must be that the accounting programs are performing well.

Academic institutions are not perfect, but they produce educated young men and women who are sought after by the business community for their knowledge and skills. □

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